

Report Card

ND TEACHERS' FUND FOR RETIREMENT

JANUARY 2008

TFFR Funded Level Improving

According to TFFR's consultant, the TFFR pension plan is beginning to show signs of funding improvement thanks to recent outstanding investment performance and the benefit and contribution changes made by the 2007 Legislature.

Each year, TFFR's actuary performs an actuarial valuation to determine if the contributions paid by members and employers, along with investment earnings, are adequate to pay the retirement benefits for current and future retirees. The annual valuation tracks changes over time and warns of possible future problems and issues. The 2007 report provides the following information:

Membership

As of July 1, 2007, the TFFR plan represented 17,257 active, inactive, and retired members. The average age of the 9,599 active members was 44.7 years; average service was 14.5 years; and average annual salary was \$41,810. There were 6,077 retirees and beneficiaries receiving average annual benefits of \$17,208. There were also 1,581 inactive members.

While active membership has decreased an average of 0.5% per year over the past 10 years, the number of retired members has grown an average of 3.1% per year. Currently, there are 1.6 active members for each retiree (down from 2.2 actives per retiree 10 years ago).

Asset Levels

Market value of assets increased from \$1.7 billion in 2006 to \$2.03 billion on June 30, 2007. Last year's net investment return was 20.04%, which was well above the 8.0% investment return assumption.

Actuarial Results

According to the 2007 actuarial report, TFFR's unfunded actuarial accrued liability (UAAL) decreased from \$510 million to \$459 million. The GASB Annual Required Contribution (ARC) rate decreased from 12.29% to 10.15%. This is greater than the 7.75% employer contribution rate currently required by law. The shortfall (negative margin) between the rate

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TFFR Board of Trustees

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Bob Toso, *Active Trustee*

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www.nd.gov/rio

Articles are for general information only and are not intended to provide specific advice or recommendation. Other forms of this newsletter are available on request.



Front row, from left: Clarence Corneil, Mike Gessner, Lowell Latimer.
Back row: Kelly Schmidt, Bob Toso, Wayne Sanstead, Kim Franz.

TFFR Board

Your retirement board is dedicated to ensuring a financially strong pension fund for the benefit of North Dakota's active and retired public school teachers.

Memo to Members

TFFR: Just a Retirement Plan?

Someone once told me about a teacher who was concerned about retirement and outliving her financial resources. She said she enjoys fast food once in awhile, but doesn't want to be on the "other side" of the drive up window in retirement.

So do you need to worry about retirement? It's sometimes easy to take your retirement plan for granted and not recognize its true value. After all, TFFR is "just a retirement plan," so what's the big deal?

As a new teacher, just entering the work force, retirement is a long way off. Salary is the main concern after all, that's what pays the bills. But just think, in addition to salary, the average new teacher who continues until retirement will receive a lifetime pension benefit which will be worth over \$700,000 at that time. Not bad for "just a retirement plan."

For a mid-career employee, with 15-20 years of teaching experience, your pension plan is taking on importance. You can see the "Rule of 85" on the horizon, and when reviewing your annual benefits statement, you notice your retirement benefit amount growing. In addition, TFFR's disability and death benefits have caught your attention by now. Pretty good deal, you think, even if TFFR is "just a retirement plan."

Maybe you're a ready-to-retire teacher, with 30 or more years of teaching service. If so, you clearly recognize the value of your



Fay Kopp

Deputy Executive Director/Retirement Officer

pension plan. You've attended pre-retirement planning sessions and have learned about your TFFR benefits, Social Security, health insurance, financial and estate planning. You understand that an average retiree will receive about 60% of final average salary from TFFR, and when added to Social Security benefits, you should receive about 90% of your pre-retirement earnings. That's pretty valuable stuff from "just a retirement plan," and something to look forward to when the time is right.

Of course, as a retiree, you know better than anyone that you can count on your TFFR benefit check being promptly deposited into your bank account each and every month. You know your benefits can't be reduced and will be paid for life. It's interesting to note that within about three years of your retirement, you have received all of your contributions back in the form of pension benefits. And after a couple more years, you've received the employer's share as well. For the remainder of your life, your pension benefit payments are funded by investment earnings. Now that's a real bargain, and true financial security from "just a retirement plan."

While TFFR is not intended to be your sole source of retirement income (you'll need Social Security and other retirement savings to keep up with inflation and maintain a comfortable standard of living), your defined benefit pension plan does a pretty good job of providing steady retirement income for your lifetime.

And, unless you want to, you shouldn't have to work at the drive up window in retirement.

Administrative Rules Hearing

A public hearing has been scheduled for January 17, 2008 at 1:00 pm in the Ft. Union Room at the State Capitol to address proposed amendments to ND Administrative Code Title 82. The purpose of the proposed amendments is to implement new state statutes.

The proposed rules address the Teachers' Fund for Retirement definitions; participation provisions; retirement benefits; disability benefits; and right to a formal hearing and appeal.

A copy of the proposed rules may be viewed at www.nd.gov/rio or may be requested by writing or calling the Retirement and Investment Office. Oral or written comments will be accepted until 5:00 pm on January 31, 2008.

TFFR Staff and Board Hard at Work - Teacher's Convention 2007



Annual Statewide Pre-Retirement Seminars

Our July 2007 statewide pre-retirement seminar was a big success. So we are again happy to offer to every teacher in North Dakota, an opportunity to attend a one day pre-retirement seminar this summer. The full day pre-retirement planning seminar covers TFFR benefits, financial planning, estate planning, Social Security benefits, PERS health insurance, and adjusting to retirement.

The seminars will be held in Minot on July 9, 2008 and in Fargo on July 24, 2008. The seminar will begin at 8 am and conclude at 4:30 pm with an hour for lunch. To register, call 1-800-952-2970 or 328-9886 or complete and return the attached registration form. Prior to the seminar, you will receive a confirmation for date, time and location.

STATEWIDE PRE-RETIREMENT SEMINAR REGISTRATION FORM

☐ July 9, 2008 - Minot ☐ July 24, 2008 - Fargo

Name _____

Address _____

City _____ State _____ Zip code _____ Person ID _____

Home Telephone _____ Work Telephone _____ E-mail _____

Will your spouse/guest also be attending? _____ Yes _____ No

Name of spouse/guest _____

If your spouse/guest is also a teacher, please provide his/her Person ID _____

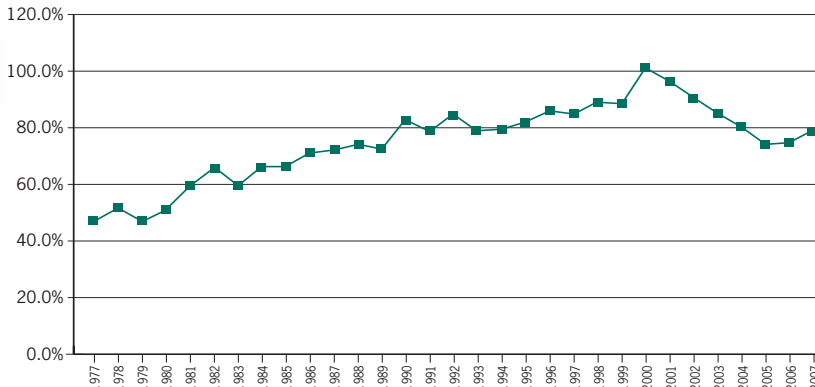
Return to: ND Retirement and Investment Office
PO Box 7100, Bismarck, ND 58507-7100; or e-mail information to: rio@nd.gov

2007 Annual Report Summary

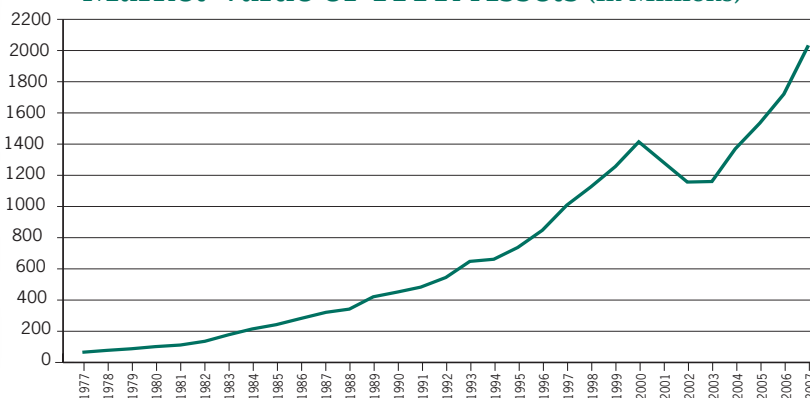
Every year, NDRIO publishes a Comprehensive Annual Financial Report (CAFR). This report provides a detailed look at investment, financial, actuarial, and statistical information. The report has received the Certificate of Achievement for Excellence in Financial Reporting. The complete report is posted on the NDRIO website at www.nd.gov/rrio. In addition, copies of the report may be requested by calling the administrative office.



TFFR Funded Ratio

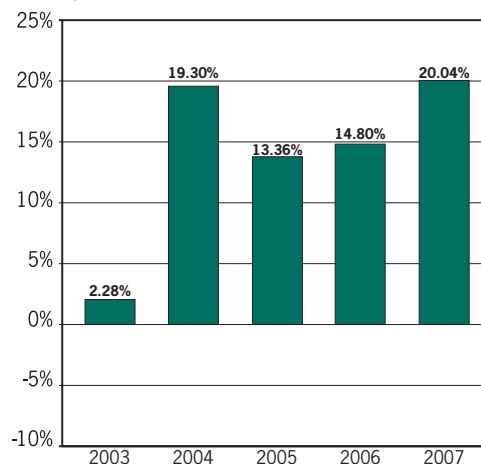


Market Value of TFFR Assets (In Millions)



TFFR Investment Performance

as of June 30



AVERAGES

3 Yr.	16.03%
5 Yr.	13.77%
10 Yr.	8.60%

Statement of Assets as of June 30, 2007

ASSETS

Equities	\$1,260,494,121
Fixed Income	429,624,787
Real Estate	212,437,075
Private Equity	87,610,571
Invested Cash	16,588,981
Invested Securities Lending	143,933,101
Receivables	16,427,994
Other Assets	10,740,265
Total Assets	\$2,177,856,895

LIABILITIES

Accounts Payable	\$3,661,571
Accrued Expenses	483,601
Securities Lending	143,933,101
Other Liabilities	1,210
Total Liabilities	148,079,483
Net Assets on June 30, 2007	\$2,029,777,412

Changes in Assets During Fiscal Year 2007

CASH POSITION

Net Assets on June 30, 2006	\$1,721,308,223
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ADDITIONS

Member Contributions	\$31,865,772
Employer Contributions	31,865,466
Other Additions	2,630,861
Investment Income	346,765,986
Total Additions	\$413,128,085

DEDUCTIONS

Benefits Paid	\$99,737,905
Refunds	3,328,931
Administrative Expenses	1,592,060
Total Deductions	\$104,658,896
Net Increase	308,469,189
Net Assets on June 30, 2007	\$2,029,777,412

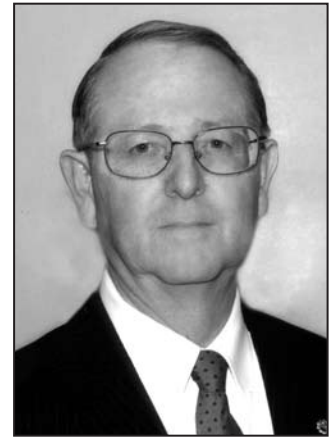
Board Appointments

Governor Hoeven recently appointed Bob Toso to represent school administrators on the TFFR Board. Bob is Superintendent of Jamestown Public Schools. We appreciate his commitment to serve North Dakota educators as a TFFR Board trustee. Toso will also represent TFFR on the State Investment Board.

Clarence Corneil was also appointed for another five year term to represent retired members. Clarence has served on the TFFR Board since 2002 and also represents TFFR on the State Investment Board.



Bob Toso

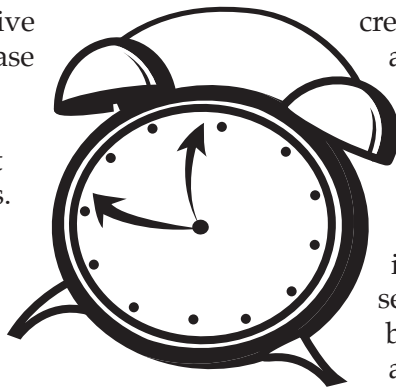


Clarence Corneil

Service Purchase Costs To Increase

State law allows active members to purchase service credit under certain conditions for use toward retirement eligibility and benefits. Under current law, if an active member repurchases refunded service credit within 5 years of returning to work, the purchase cost is the amount that was withdrawn plus 6% interest. However, if a member repurchases the refund outside of the 5 year window, or purchases other types of service such as out-of-state, government agency, nonpublic, air time, etc., the cost is calculated on an actuarial equivalent basis. Actuarial equivalence is used so that TFFR does not incur a loss when a member decides to purchase service credit.

At the recommendation of TFFR's actuary, the TFFR Board recently adopted a new methodology and factors to more accurately reflect actuarial equivalence. In addition to computing the actuarial present value of the additional benefit being purchased, the new method also takes into consideration the effect of the purchased service



credit on retirement age, and the impact of member contributions lost due to the purchase. The new approach will increase the cost of service purchases by about 40% on average, for most, if not all, members

who purchase service credit at the actuarial equivalent cost.

The new factors will become effective on July 1, 2008. Therefore, any requests received at TFFR by June 30, 2008 will be calculated using the current factors. Cost estimates are good for 90 days. Requests received by TFFR beginning July 1, 2008 will be calculated using the new factors.

Members must complete service purchases prior to retirement. If you are planning to purchase service credit and retire this spring, please contact our office promptly to discuss your retirement plans and service purchase options. Purchase requests will be processed in the order they are received.



TFFR Member Handbook

The 2007 edition of the TFFR Member Handbook may be viewed from our website, www.nd.gov/rio, or if you would like a hard copy, please contact our office. The handbook summarizes the benefits available to you and your beneficiary in the form of retirement, disability, and death benefits. All other brochures and fact sheets have also been updated and available on our website. We hope this information is helpful in your retirement planning.

TFFR Funding *From page one*

mandated by law and the rate necessary to fund the UAAL in 30 years improved from -4.54% to -2.40%. However, the funding period remains infinite.

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is 79.2% as of July 1, 2007, an increase from 75.4% last year. Based on market values rather than actuarial values of assets, the funded ratio improved to 91.9%, up from 83.0% last year.

Future Projections

As a result of strong investment performance in the past few years, TFFR has asset gains of \$280 million which have not yet been recognized in the actuarial value of assets because of the five-year averaging of investment gains and losses. These asset gains

will be recognized over the next four years, unless needed to offset future investment losses. Long-term projections show that this, coupled with the contribution increase and benefit changes enacted by the 2007 legislature, should greatly improve funding over the next ten years, assuming an 8% annual market return net of expenses, no actuarial gains or losses, and no other changes in plan provisions. Investment returns greater or less than 8% could cause future funding projections to vary considerably from year to year.

Details of the July 1, 2007 actuarial valuation report are included in the NDRIO 2007 Comprehensive Annual Financial Report (CAFR) which is available on the NDRIO website or by request from the administrative office.

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